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SECURITIES AND EXCHANGE COMMISSION  
[Release No. 34-81943; File No. SR-NYSEAMER-2017-25]

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend NYSE American Equities Rules 7.31E to Establish a Minimum Dollar Threshold into the Price Protection Mechanisms

October 25, 2017.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on October 13, 2017, NYSE American LLC (the “Exchange” or “NYSE American”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend NYSE American Equities Rules 7.31E (Orders and Modifiers) to establish a minimum dollar threshold into the price protection mechanisms provided for in the rule. The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

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<sup>1</sup> 15 U.S.C.78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend NYSE American Equities Rules 7.31E (Orders and Modifiers) ("Rule 7.31E") to establish a minimum dollar threshold into the price protection mechanisms provided for in the rule.

Background

Rule 7.31E(a)(1)(B) describes the price protection mechanism for Market Orders, i.e., Trading Collars. Currently, Rule 7.31E(a)(1)(B)(i) provides that the Trading Collar will be based on a price that is a specified percentage away from the consolidated last sale price. Rule 7.31E (a)(1)(B)(i) further provides that the upper (lower) boundary of the Trading Collar is the consolidated last sale price increased (decreased) by the specified percentage truncated to the minimum price variation ("MPV") for the security.

Additionally, Rule 7.31E(a)(2)(B) ("Limit Order Price Protection") provides the price protection mechanism for Limit Orders and that a Limit Order to buy (sell) will be rejected if it is priced at or above (below) a specified percentage away from the National Best Offer (National Best Bid) ("NBO" and "NBB", respectively).

Proposed Changes

- Trading Collar: The Exchange proposes to amend Rule 7.31E(a)(1)(B)(i) to introduce a minimum dollar threshold, of \$0.15, into the calculation of the Trading Collar. As such, the proposed rule would provide that the Trading Collar would be based on a price that is the greater of \$0.15 or a specified percentage away from the consolidated last sale price. Accordingly, the upper (lower) boundary of the Trading Collar would be the consolidated last sale price increased (decreased), by the greater of \$0.15 or the specified percentage.
- Limit Order Price Protection: The Exchange proposes to amend Rule 7.31E (a)(2)(B) to introduce the same proposed minimum dollar threshold that is specified above for the Trading Collar, of \$0.15, into the Limit Order Price Protection calculation. Accordingly, the proposed rule would provide that a Limit Order to buy (sell) would be rejected if it was priced at or above (below) the greater of \$0.15 or a specified percentage away from the NBO (NBB). The Exchange believes that the introduction of a minimum dollar threshold enhances the Limit Order Price Protection and encourages price continuity specifically in lower priced illiquid securities.

The Exchange believes that adding a minimum dollar threshold to the Trading Collar and Limit Order Price Protection calculations would enhance the respective price protection mechanisms for securities with a consolidated last sale price below \$1.50 because using the current 10 percent multiplier for such securities would result in too narrow of a price protection mechanism. This proposed rule change is consistent with how other exchanges specify static price collar thresholds for lower-price securities. For example, NYSE Arca, Inc. (“NYSE Arca”)

Rule 7.35-E(e)(7)<sup>4</sup> provides that for securities with a consolidated last sale price under \$3.00, the price collar threshold for auction collars would be a static \$0.15 instead of 5 percent.<sup>5</sup>

In addition, the Exchange proposes to replace the word “truncated” with the words “rounded down”<sup>6</sup> in Rule 7.31E(a)(1)(B)(i). The Exchange believes that conforming the terminology used within Rule 7.31E<sup>7</sup> and elsewhere in Exchange’s rules promotes clarity and transparency.

### Implementation

The Exchange anticipates implementing the proposed changes in the fourth quarter of 2017 and will announce the timing of such changes by Trader Update.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Exchange Act,<sup>8</sup> in general, and with Section 6(b)(5),<sup>9</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions

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<sup>4</sup> See Securities Exchange Act Release No. 79846 (January 19, 2017), 82 FR 8548 (January 26, 2017) (SR-NYSEArca-2016-130).

<sup>5</sup> See also Nasdaq Stock Market LLC (“Nasdaq”) Rule 4703(d) (providing that “any portion of a Primary Pegging Order or Market Pegging Order that would execute...at a price more than \$0.25 or 5 percent worse than the NBBO...will be cancelled”) and Bats BZX Exchange, Inc. (“Bats”) Rule 27.2, Interpretations and Policies .01 and Bats Rule 11.13 (stating that Bats “will not execute any portion of a bid at a price more than the greater of 5 cents or 0.5 percent higher than the lowest Protected Offer”).

<sup>6</sup> See Rule 7.46E(f)(2)(A), which provides that references to truncating to the MPV in Exchange rules instead mean rounding down to the applicable quoting MPV.

<sup>7</sup> See Rule 7.31E(a)(2)(B) which provides that “Limit Order Price Protection will be rounded down to the nearest price at the applicable MPV.”

<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes the proposed changes would remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general, to protect investors and the public interest, because they would enhance the Exchange's price protection mechanisms, which protect from aberrant prices and reduce the likelihood of halts, thus improving continuous trading and price discovery. Further, the proposal to enhance the price protection mechanisms by adding a minimum dollar threshold would assist with the maintenance of fair and orderly markets because such mechanisms protect investors from potentially receiving executions away from the prevailing market prices at any given time. The proposed changes to introduce the \$0.15 minimum dollar threshold is not novel and is similar in nature to that of other national securities exchanges which incorporate dollar thresholds into the calculation of the respective price protection mechanisms.<sup>10</sup>

For similar reasons, the Exchange also believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>11</sup> in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

**B. Self-Regulatory Organization's Statement on Burden on Competition**

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The

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<sup>10</sup> See supra note 4.

<sup>11</sup> 15 U.S.C. 78f(b)(5).

proposed rule change is not intended to address competitive issues but rather provide for a more effective price protection mechanism, specifically for lower-priced securities.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>12</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>13</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>13</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEAMER-2017-25 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEAMER-2017-25. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change.

Persons submitting comments are cautioned that we do not redact or edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEAMER-2017-25 and should be submitted on or before [INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

Eduardo A. Aleman,  
Assistant Secretary.

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<sup>14</sup> 17 CFR 200.30-3(a)(12).



